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SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



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OIL SANDS NEWS

1 Imperial Oil announced that the company is expecting regulatory approval for a 20% increase in output at its Cold Lake oil sands facility by the end of June. This increase will add 250 mmbbl of reserves to the field. Imperial also announced the use of a sulfur-filtering plant to cut emissions, and new drilling techniques that will reduce the number of gravel pads needed to hold pump jacks.

1 Canadian Oil Sands Trust, a 37% stake-holder in Syncrude's oil sands project, reported it is planning to boost production at the project to 425,000 bpd of synthetic crude by 2020. This is 25,000 bpd more than

previously expected from the project. Canadian Oil Sands stated that these expansion plans will bring on “production growth with less project execution risk and better economics than constructing Greenfield upgrading facilities.”

1 Connacher Oil and Gas announced that commissioning of the Algar steam assisted gravity drainage (“SAGD”) project is expected to begin in April. The project is currently on budget and on schedule, with steam injection expected to start in May. Connacher also reported that bitumen production at its Pod One oil sands project has recently exceeded 8,000 bpd of bitumen, a slight increase over the average of 7,924 bpd of bitumen in December 2009.

1 Athabasca Oil Sands and PetroChina International Investment Company Limited, a wholly-owned subsidiary of PetroChina Company Limited, announced they have received all required approvals from the governments of Canada and the People’s Republic of China with regard to PetroChina’s investment in the MacKay River and Dover oil sands projects. As a result of the transaction, PetroChina will acquire a 60% working interest in the projects for \$1.9 billion. The companies intend for the projects to utilize in situ development methodologies. The Canada-China Business Council stated that “the stress-free approval of this deal went a long way to ease fears that there would be political barriers to China’s investment in Canada.” The Council further stated that “China’s investment in the oil sands and energy sector and mining sector in Canada is about to take off even more significantly than it has in the last number of years.”

1 Cenovus Energy reported that output at its oil sands projects increased in 2009 due to a 48% increase in the start-up of new phases in the fourth quarter of 2009. Cenovus also announced plans to move up construction of Phase D at Christina Lake by six months so that construction will begin in mid-2010 with first production expected in mid-2013. Christina Lake is currently producing roughly 7,500 bpd (net), before royalties. Foster Creek, another Cenovus oil sands project, is producing approximately 52,000 bpd (net), before royalties, and is expected to hit payout this year.

EAST COAST NEWS

2 The Newfoundland and Labrador government has officially inked a deal with industry partners, formalizing the memorandum of understanding entered into in June 2009, for the development of the Hibernia South

extension. Industry partners include: Nalcor Energy, ExxonMobil, Chevron Canada, Suncor, Statoil, Canada Hibernia Holding Corporation, and Murphy Oil Corporation. First production is expected in 2012.

3 Corridor Resources’ 2010 budget includes plans for drilling and completing two natural gas wells in the upper part of the Hiram Brook formation in the McCully field in southern New Brunswick. The forecast is for one new McCully horizontal development well (L-37) to be drilled, completed and tied in by the end of May 2010, with a second to be drilled, completed and tied in by the end of the fourth quarter.

WEST COAST NEWS

4 Terra Energy announced that it has signed a commitment letter to acquire roughly 91 gross sections of land in northeast British Columbia. The arrangement has Terra acquiring a 100% working interest in approximately 14 net sections of land in the Altares and Farrell Creek area. The company has plans for drilling and testing, with the use of micro-seismic technology, to allow the company to assess the potential for a multi-well horizontal development program. Terra stated that this “deal will add considerably to Terra Energy’s growing land presence in the Montney fairway trend in northeastern British Columbia with material acreage additions in key areas of high activity, including Altares/Farrell Creek, Wilder and Groundbirch.”

4 EnCana announced that it expects its production from the Horn River to rise to 100 mmcfpd by the end of 2010, and to 200 mmcfpd by the end of 2011. Currently, EnCana’s Horn River production is less than 20 mmcfpd. EnCana is preparing for a surge in production this year, reporting that the company will be drilling another 20 net wells in 2010, and performing between two and two and a half fracs each day.

4 Apache Canada announced plans to substantially increase its capital spending in Canada in 2010. The four wells that were completed by the company in the Horn River last summer are producing over 4 mmcfpd each, confirming reserves in excess of 10 bcf for each well. Apache stated that it intends to drill further development wells in the Horn River Basin with its 50% partner, EnCana. Apache expects that it will have an additional 42 to 44 wells on production by the end of this year at Horn River.

CANADIAN ARCTIC NEWS

The National Energy Board (NEB) will hold a hearing to review its policy on same season relief well capability - the ability to drill a relief well in the same season in which the original well was drilled - for oil and gas drilling operations in the Beaufort Sea. Drilling activities in the Canadian Beaufort are regulated by the NEB under the *Canada Oil and Gas Operations Act*.

5 The University of Calgary's Department of Geoscience has announced a new research project which could help realize the resource potential of one of the High Arctic's most promising frontier basins. The program, Studies to Unlock Northern Basins Energy along Arctic Margins (SUNBEAM), received funding from the Natural Sciences and Engineering Research Council of Canada (NSERC), National Resources Canada (NRCan), and French energy giant Total.

ALTERNATIVE ENERGY NEWS

6 General Electric and Plutonic Power are determining the feasibility of doubling the capacity of the 144 MW Dokie Ridge Wind Project in British Columbia. This expansion would make it the largest wind farm in Western Canada. The two companies are also building a \$660 million, 196 MW run-of-river hydroelectric project on glacier fed streams approximately 190 km northwest of Vancouver, which is expected to be completed this year.

The University of British Columbia announced plans to install and demonstrate a biomass-fuelled combined heat and power system. This system will combine Nexterra Systems' gasification and synthetic gas conditioning technologies with a high-efficiency Jenbacher gas engine from General Electric Power and Water. GE stated that it believes that "this new combined heat and power solution represents a potential breakthrough for biomass power generation."

ON THE HORIZON

The Canadian government announced that it will keep supporting the development of Alberta's oil sands, which

are the largest source of oil outside of the Middle East, while also committing to cut 2005 emission levels by 17% by 2020. This cut is identical to the U.S. target.

7 Cenovus Energy announced plans for investment in new acreage in the Bakken and Lower Shaunavon unconventional light oil plays in southern Saskatchewan, now that it is no longer under the Encana umbrella. In recent years, several companies have capitalized on new technology to maximize production from the Bakken play, which straddles the Canada-U.S. border.

ABBREVIATIONS

In this newsletter, all dollar amounts are Canadian dollars unless otherwise stated. We have also used the following abbreviations: **bpd** - barrels per day; **mmcfpd** - million cubic feet per day; **bcfcpd** - billion cubic feet per day; **tcf** - trillion cubic feet; **bbl** - barrel; **mbbl** - thousand barrels; **mmbbl** - million barrels; **bbbl** - billion barrels; **boe** - barrels of oil equivalent; **MW** - megawatts; **kV** - kilovolt; **km** - kilometre.

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